

HB 166 – Tax Credits for Biodiesel

The United States depends on large amounts of fossil fuels to keep the transportation system going. These fossil fuels are expensive, and they are not always secure. This nation needs to develop agriculturally based transportation fuels. Montana is well positioned to grow the crops and develop a biodiesel industry.

The 2005 Legislature recognized that potential and put in place tax credits as incentives for the production of biodiesel and the crushing of oil seeds used for fuel production. Those tax credits can only be used in the year that the investment in equipment is made. New businesses that invest in equipment are not likely to be making a profit in the year that the equipment is purchased. So, they are unable to take advantage of the tax credit. Therefore, the current credit does not serve as an incentive.

This bill extends the time over which the credit could be taken to seven years. This allows companies to more fully benefit from the tax credit.

What the bill does:Section 1: Oil seed crush facility – 15-32-701, MCA

- More clearly defines what the equipment purchased can be used for and includes biodiesel and biolubricants.
- Allows for a credit to be claimed for costs that were incurred for up to 2 years prior to when a facility begins to crush oil seeds
- Keeps the total amount of the credit the same
- Extends the time period for the credit from 2010 to 2015
- Extends the length of time that a credit can be taken for up to seven years as long as the facility where the property is installed is crushing oil seed
- Defines "biolubricants"

Section 2: Biodiesel production facility tax credit – 15-32-702, MCA

- Provides the same changes that are made for oil seed crushing facilities to biodiesel production facilities

Section 3: Biodiesel blending and storage tax credits – 15-32-703, MCA

- More clearly defines what is property eligible for the credits
- Allows for a credit to be claimed for costs that were incurred for up to 2 years prior to the investment
- Keeps the amount of the credit the same
- Extends the length of time that a credit can be taken for up to seven years as long as the facility continues operation